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## Newsletter - 1982-07-22

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# NEWSLETTER

97-855

22 July 1982

Washington, D.C.

THE FLAT TAX: PROS AND CONS. Americans have been complaining about taxes since the time of the Boston Tea Party and I suspect that they will continue to complain about them for a long time to come.

The political adage "you can't please all the people all the time" is never more true than when you are dealing with taxation. No matter how little a taxpayer is required to pay in relation to his peers, he still feels that it is too much and that his money is being wasted by the government.

Nevertheless, Congress does perceive the need for reform in the tax system and one proposal for reform that has generated a lot of interest lately among my colleagues on Capitol Hill and my constituents is the proposal for a flat rate tax system. This newsletter will briefly analyze the pros and cons of such a system.

At present we have a progressive tax rate structure that taxes persons up to 50 percent of their incomes but allows numerous deductions and other complicated means of reducing financial obligation to the government.

Adherents of a flat tax system say that it is just common sense to simplify tax filing by creating a universal tax of 10-20 percent and eliminating most credits and deductions. They say such a system would end wasteful tax shelters, allow the government to raise the same amount of revenue as now with a relatively low tax rate, and ensure that taxpayers with the same income pay the same amount in taxes.

Further, proponents say, a flat tax would resolve the problem of "bracket creep" --- the phenomenon that occurs when a salary increase puts the taxpayer in a higher tax bracket, thus diminishing the benefits of getting a raise.

Conservative ideologists say a flat tax would keep the government from "social tinkering" and would further the cause of supply-side economics.

Those opposed to the flat tax see the proposed system as yet another way to transfer the tax burden from the affluent to middle and low income Americans. A person in the higher tax brackets paying 50 percent of his income to the IRS obviously would benefit from this change in the tax law, but a middle income person using a number of deductions and paying only 10 percent of his income would not.

Another problem in creating a flat rate system is defining total income. There has been talk that currently exempt forms of income such as social security and GI, veterans, and public assistance benefits might be taxed. Moreover, many middle class

Americans rely on deductions for mortgage interest, real estate and property taxes, educational expenses, and state and local taxes to reduce their federal tax bill. If these sorts of preferences were eliminated, many Americans might end up paying higher taxes.

One point often made when Congress debates tax reforms is that everyone wants to improve the tax code but no one is willing to forgo his favorite tax break. People say they support a flat tax with exceptions for mortgage interest and charitable deductions, but if one group gets a break it is just a matter of time before the Christmas tree is decorated again.

Obviously I am looking for the tax proposals that will most benefit the people of the 15th District, and as always, I appreciate your advice and counsel.

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AIRPORT TOWER TO REOPEN. When air traffic controllers went on strike last summer, the McAllen air traffic control tower had to be closed because of insufficient personnel.

Over the months I have been in frequent touch with FAA about this situation. Until very recently I was advised that the tower would not open until October. Late last month FAA advised me that their recruitment and training efforts had paid off and that the McAllen tower will resume operation on August 13, between the hours of 10 a.m. and 6 p.m. seven days a week.

FAA said that as more personnel become fully qualified controllers the tower's hours of operation will be extended. Before the strike the tower operated 16 hours a day.

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AGE SIXTY RULE FOR PILOTS. The FAA rule that forces commercial pilots to stop flying at age 60 is arbitrary and discriminatory. As long as pilots reaching the age of 60 can pass rigorous medical tests I can see no reason to prevent them from flying.

Recently I cosigned a letter to FAA Administrator J Lynn Helms asking him to probe "a more reasonable approach to the age sixty rule."

On July 8 the Federal Register published a notice inviting comments on whether persons age 60 or older can safely serve as commercial airplane pilots. Also being considered is establishing age limitations for required flight engineers.

Under the FAA proposal pilots wishing to fly past age 60 would voluntarily enter an experimental program at age 57 entailing quarterly medical and performance testing. Participation in the program would cease at age 62 at which time the pilots would retire.

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VISITORS this week were: Richard Barton of Benavides; Bertita Garza and Dr Jesus Zarate of Brownsville; Dr Celedonio de la Cruz and Rene Rios of Edinburg; Arturo Ramirez of Progreso; Mr and Mrs Pablo Saenz Jr of Rio Grande City; Xavier Lugo of Mission; and Ernesto Gonzales of San Diego.